

Caro Transit Authority

Caro, Michigan

Financial Statements and
Additional Information
Year Ended September 30, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Caro Transit Authority	County
Audit Date 9/30/04	Opinion Date 1/21/05	Date Accountant Report Submitted to State: 4/7/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

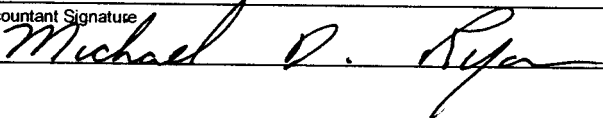
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).	✓		
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Wipfli LLP			
Street Address 2901 West Beltline Hwy., Suite 201		City Madison	State WI
Accountant Signature 		ZIP 53713	Date 4/7/05

Caro Transit Authority

Financial Statements and Additional Information Year Ended September 30, 2004

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Independent Auditor's Report

Board of Directors
Caro Transit Authority
Caro, Michigan

We have audited the accompanying balance sheet of Caro Transit Authority as of September 30, 2004, and the related statements of revenue, expenses, and changes in fund balance and cash flows for the year then ended. These financial statements are the responsibility of the Caro Transit Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Michigan Department of Transportation *Audit Guide for Transportation Authorities and Agencies in Michigan*. Those standards and the Michigan *Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 and Note 4 to the financial statements, Caro Transit Authority expenses equipment purchased or transferred to it by the Michigan Department of Transportation rather than capitalizing such equipment and depreciating the equipment over its useful life. This method of accounting for equipment purchases is in accordance with grant budgets authorized by the Michigan Department of Transportation; however, in order to conform with accounting principles generally accepted in the United States, in our opinion, all capital expenses should be capitalized and depreciated over their estimated useful lives. The effects of that departure from accounting principles generally accepted in the United States on the accompanying financial statements are not reasonably determinable.

In our opinion, except for the effects of not capitalizing and depreciating equipment as discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Caro Transit Authority as of September 30, 2004, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2005 on our consideration of Caro Transit Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information presented on pages 9 through 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the effects of not capitalizing and depreciating equipment, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Wipfli LLP

Wipfli LLP

January 21, 2005
Madison, Wisconsin

Caro Transit Authority

Balance Sheet

September 30, 2004

<i>Assets</i>	
Current assets:	
Cash	\$ 183,128
Investments	100,000
Grants receivable	41,525
Total current assets	324,653
Fixed assets:	
Property and equipment, less valuation reserve of \$622,686	0
Total assets	\$ 324,653
<i>Liabilities and Fund Balance</i>	
Current liabilities:	
Accounts payable	\$ 15,677
Total liabilities	15,677
Fund balance - unrestricted	308,976
Total liabilities and fund balance	\$ 324,653

See accompanying notes to financial statements.

Caro Transit Authority

Statement of Revenue, Expenses, and Changes in Fund Balance Year Ended September 30, 2004

	Program Operations	Equipment	Total
Operating revenue (Schedule 1)	\$ 86,998	\$ 0	\$ 86,998
Operating expenses (Schedule 2)	(642,482)	0	(642,482)
(Loss)	(555,484)	0	(555,484)
Nonoperating revenue (Schedule 3)	496,401	0	496,401
Equipment award (Schedule 9)	0	80,945	80,945
Equipment purchase (Schedule 9)	0	(80,729)	(80,729)
Excess of (expenses) over revenue	(59,083)	216	(58,867)
Fund balance - September 30, 2003	367,843	0	367,843
Fund balance - September 30, 2004	\$ 308,760	\$ 216	\$ 308,976

See accompanying notes to financial statements.

Caro Transit Authority

Statement of Cash Flows Year Ended September 30, 2004

Increase (decrease) in cash:

Cash flows from operating activities:

Excess of (expenses) over revenue

(\$ 58,867)

Adjustments to reconcile excess of (expenses)
over revenue to net cash used in operating activities:

Changes in assets and liabilities:

Grants receivable

(35,870)

Accounts payable

(12,791)

Net cash used in operating activities

(107,528)

Net decrease in cash

(107,528)

Cash - September 30, 2003

290,656

Cash - September 30, 2004

\$ 183,128

See accompanying notes to financial statements.

Caro Transit Authority

Notes to Financial Statements

Note 1

Summary of Significant Accounting Policies

Nature of Operations

Caro Transit Authority (the "Organization") was organized under Public Act 196 of 1986 to provide transportation services within a prescribed service area of the Caro area of Michigan. The Organization is governed by a Board of Directors, which has been appointed by the common council of the Village of Caro and the Boards of Indianfields and Almer Townships. A property tax levy is assessed by both townships to provide capital for operations. The Organization contracts with Human Development Commission, a nonprofit organization, to operate the bus system. The Michigan Department of Transportation (MDOT) provided Caro Transit Authority with 60% of its revenue for the year ended September 30, 2004.

Significant Policies

Basis of Presentation

The financial statements are prepared using the accrual basis of accounting.

The accounting policies of Caro Transit Authority conform to generally accepted accounting principles as applicable to governmental units, except for accounting for equipment purchased or transferred by MDOT.

Equipment

The policy on purchased equipment or equipment transferred from MDOT differs from generally accepted accounting principles. Equipment purchased or transferred from MDOT is charged to expenses in the period of purchase or transfer and is recorded on the balance sheet as fully depreciated assets. The equipment is owned by Caro Transit Authority while used for the purpose it was purchased or transferred. MDOT has a reversionary interest in equipment purchased with grant funds or transferred by MDOT to Caro Transit Authority.

Cost Allocation Plan

The cost allocation plan used to allocate various administrative expenses has been approved by the State of Michigan, Department of Transportation.

Use of Estimates

The preparation of financial statements with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Caro Transit Authority

Notes to Financial Statements

Note 2 Investments

Caro Transit Authority invested a portion of its funds in a certificate of deposit with a local bank. The certificate of deposit is \$100,000 and matures on October 13, 2005. The certificate of deposit is covered by Federal Deposit Insurance Corporation (FDIC) insurance.

Note 3 Grants Receivable

The grants receivable are as follows:

	Grant Receivable 9/30/2003	Funds Earned	Less Funds Received	Grant Receivable 9/30/2004
Operating grant	\$ 0	\$ 213,391	(\$ 213,391)	\$ 0
Operating PY 03 reconciliation	0	36,413	(36,413)	0
Section 5311 - 2003	5,655	99	(3,950)	1,804
Section 5311 - 2004	0	70,239	(30,518)	39,721
RTAP	0	992	(992)	0
Equipment grant	0	80,945	(80,945)	0
Totals	\$ 5,655	\$ 402,079	(\$ 366,209)	\$ 41,525

Note 4 Property and Equipment Valuation Reserve

Equipment purchased or transferred from MDOT is expensed in the period of purchase or transfer. The activity relating to property and equipment during the program year ended September 30, 2004 is as follows:

	Balance 9/30/2003	Additions	Balance 9/30/2004
Vehicles	\$ 515,616	\$ 80,729	\$ 596,345
Other equipment	26,341	0	26,341
Valuation reserve	(541,957)	(80,729)	(622,686)
Property and equipment, net	\$ 0	\$ 0	\$ 0

Note 5 Concentration of Credit Risk

Caro Transit Authority maintains cash and investments at several banks. Accounts at each institution are insured by the FDIC up to \$100,000. Balances in excess of \$100,000 at individual banks are not collaterally secured. At September 30, 2004, the amount of cash and investments in excess of FDIC coverage was \$50,617 as follows:

Caro Transit Authority

Notes to Financial Statements

Note 5 Concentration of Credit Risk (Continued)

	Investment		Checking/Money Market Accounts			
	CD		Account #1	Account #2	Account #3	Total
Bank balances	\$ 100,000		\$ 81,170	\$ 51,341	\$ 50,617	\$ 183,128
FDIC coverage	(100,000)		(81,170)	(51,341)	0	(132,511)
Balances in excess of FDIC	\$ 0		\$ 0	\$ 0	\$ 50,617	\$ 50,617

The investment in the certificate of deposit and checking/money market account No. 3 is at the same bank. FDIC coverage is limited to \$100,000 for both accounts.

Additional Information

Caro Transit Authority

Schedule 1

Operating Revenue

Subcontractor - Human Development Commission

Year Ended September 30, 2004

Operating revenue:

Line-haul (fare box)	\$	86,998
<hr/>		
Operating revenue	\$	86,998
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See Independent Auditor's Report.

Caro Transit Authority

Schedule 2

Operating Expenses

Subcontractor - Human Development Commission

Year Ended September 30, 2004

<i>Operating</i>				
	Operations	Maintenance	General Administration	Total
Purchased transportation services	\$ 463,790	\$ 66,441	\$ 112,211	\$ 642,442
Uncollectible expenses	0	0	40	40
Totals	\$ 463,790	\$ 66,441	\$ 112,251	\$ 642,482

Note: Caro Transit Authority delegates operation of the transit program to Human Development Commission.
All of the above purchased transportation services were paid by Human Development Commission.

See Independent Auditor's Report.

Caro Transit Authority

Schedule 3

Nonoperating Revenue

Subcontractor - Human Development Commission

Year Ended September 30, 2004

	Program Operations
Local revenue:	
Indianfields and Almer Townships	\$ 172,804
State of Michigan grants:	
Operating grant award	213,391
PY 2003 Operating reconciliation	36,413
Subtotal State of Michigan grants	249,804
Federal grants:	
U.S. DOT operating grant - Section 5311	70,239
U.S. DOT operating grant - Section 5311 PY	99
RTAP	992
Subtotal federal grants	71,330
Other revenue:	
Interest income	2,463
Total other revenue	2,463
Total nonoperating revenue	\$ 496,401

See Independent Auditor's Report.

Caro Transit Authority

Schedule 4

Schedule of Expenses by Contract and General Operations

Subcontractor - Human Development Commission

Year Ended September 30, 2004

	Operating Contract # 2002-0025	Equipment Contract # 2002-0025	Total Expenses
Contracted expenses	\$ 642,442	\$ 80,729	\$ 723,171
Other	40	0	40
Total expenses	\$ 642,482	\$ 80,729	\$ 723,211

See Independent Auditor's Report.

Caro Transit Authority

Schedule 5

Net Eligible Expenses Computations of General Operations

Subcontractor - Human Development Commission

Year Ended September 30, 2004

	Federal Section 5311	Local Bus Operating Assistance
Expenses:		
Operating costs	\$ 642,482	\$ 642,482
Total expenses	642,482	642,482
Ineligible expenses:		
RTAP funds	(992)	(992)
Uncollectible expenses	(40)	(40)
Net eligible expenses	\$ 641,450	\$ 641,450
Maximum Section 5311:		
Reimbursement (10.95% of eligible expenses)	\$ 70,239	

See Independent Auditor's Report.

Caro Transit Authority

Schedule 6

Mileage Data

Subcontractor - Human Development Commission

Year Ended September 30, 2004

	Public Transportation Mileage
Line-haul/demand response:	
First quarter	62,530
Second quarter	61,253
Third quarter	54,942
Fourth quarter	38,285
<u>Total line-haul/demand response</u>	<u>217,010</u>

The methodology used for compiling mileage has been reviewed and found to be an adequate method for recording vehicle mileage.

See Independent Auditor's Report.

Caro Transit Authority

Schedule 7

Schedule of Caro Transit Authority and Subcontractor Agency Activity

Subcontractor - Human Development Commission

Year Ended September 30, 2004

	Caro Transit Authority	Human Development Commission	Total
Revenue:			
Local millage	\$ 172,804	\$ 0	\$ 172,804
State operating grant	213,391	0	213,391
State operating FY 03 reconciliation	36,413	0	36,413
U.S. DOT Section 5311	70,239	0	70,239
U.S. DOT Section 5311 PY	99	0	99
Equipment grant	80,945	0	80,945
RTAP	992	0	992
Transfers	(636,173)	636,173	0
Interest	2,463	0	2,463
Line-haul (fare box)	0	86,998	86,998
Total revenue	(58,827)	723,171	664,344
Expenses:			
Operating expenses	40	642,442	642,482
Equipment acquisition/repair	0	80,729	80,729
Total expenses	40	723,171	723,211
Excess of (expenses) over revenue	(58,867)	0	(58,867)
Net assets - September 30, 2003	367,843	0	367,843
Net assets - September 30, 2004	\$ 308,976	\$ 0	\$ 308,976

See Independent Auditor's Report.

Caro Transit Authority

Schedule 8

Schedule of Financial Assistance - Federal, State, and Other Year Ended September 30, 2004

Federal Grantor/State Grantor/ Program Title/Other Income	Federal CFDA Number	State Grantor Number	Program Award Amount	Federal Revenue	State/Local Revenue	Other Revenue	Expenditures	Excess Revenue/ (Expenses)
U.S. Department of Transportation:								
Section 5311	20.507		\$	\$ 70,239	\$ 0	\$ 0	(\$ 70,239)	\$ 0
Section 5311 PY	20.507			99	0	0	(99)	0
RTAP	20.507			992	0	0	(992)	0
Subtotal				71,330	0	0	(71,330)	0
Michigan Department of Transportation:								
Equipment contact		2002-0025	80,925	0	80,945	0	(80,729)	216
State operating		2002-0025	213,391	0	213,391	0	(213,391)	0
State operating FY 03 reconciliation		2002-0025		0	36,413	0	(36,413)	0
Subtotal				0	330,749	0	(330,533)	216
Other revenue:								
Line-haul (fare box)				0	0	86,998	(86,998)	0
Interest				0	0	2,463	(2,463)	0
Local millage				0	0	172,804	(231,887)	(59,083)
Subtotal				0	0	262,265	(321,348)	(59,083)
Totals				\$ 71,330	\$ 330,749	\$ 262,265	(\$ 723,211)	(\$ 58,867)

See Independent Auditor's Report.

Caro Transit Authority

Schedule 9

Schedule of Equipment Awards and Expenses

Year Ended September 30, 2004

	MDOT
Equipment award	\$ 80,945
Equipment acquisition	(80,729)
Excess of revenue	\$ 216

See Independent Auditor's Report.

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Board of Directors
Caro Transit Authority
Caro, Michigan

We have audited the financial statements of Caro Transit Authority as of and for the year ended September 30, 2004, and have issued our report thereon dated January 21, 2005. In our report, our opinion was qualified because Caro Transit Authority expenses equipment purchased or transferred from the Michigan Department of Transportation rather than capitalizing such equipment and depreciating the equipment over its useful life. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Caro Transit Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Caro Transit Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wipfli LLP

Wipfli LLP

January 21, 2005
Madison, Wisconsin